

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 SSO-00 NSCE-00 INRE-00 AID-05

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 8614

LIMITED OFFICIAL USE EC BRUSSELS 3042

PASS AGRICULTURE, TREASURY,/ AND STR

E.O. 11652: NA

TAGS: ETRD, EEC, EAGR

SUBJECT: EC CHEESE COUNTERVAILING DUTY PROBLEM

REF: STATE 77288#

1. SUMMARY: THE MISSION ON SATURDAY PRESENTED THE USG PROPOSAL FOR RESOLUTION OF THE CHEESE COUNTERVAILING PROBLEM TO FIELDING OF THE EC COMMISSION. WE EMPHASIZED THE EFFORT MADE BY THE ADMINISTRATION TO SELL THE PROPOSAL YEUTTER TOOK BACK TO WASHINGTON AND THE NEED, IN ORDER TO SATISFY ALL PARTIES, FOR AN ADDITIONAL MODIFICATION. WE GAVE FIELDING BOTH AN APPROPRIATELY REVISED DRAFT OF THE PROPOSED LARDINOIS-GREENWALD LETTER AND A LIST OF CHEESE CODE CATEGORIES REGARDING WHICH DISCRETION WOULD BE EXERCISED ASSUMING THAT THE COMMUNITY AGREES TO THE US PROPOSAL. FIELDING WAS, OF COURSE UNABLE TO MAKE A SUBSTANTIVE REPLY; HE GUESSED THAT A FINAL ANSWER FROM THE COMMUNITY PROBABLY COULD BE GIVEN ONLY AFTER COMMISSION CONSULTATIONS WITH MEMBER STATES. END SUMMARY.

2. ON SATURDAY, APRIL 5 CHARGE AND MISSION OFFICERS CALLED ON LIMITED OFFICIAL USE

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FIELDING, THE SENIOR OFFICIAL AVAILABLE IN THE COMMISSION'S

EXTERNAL RELATIONS DIRECTORATE GENERAL. HE HAS BEEN DIRECTLY INVOLVED WITH THE CHEESE PROBLEM THROUGHOUT THE LAST YEAR). WE STRESSED THAT DURING THE PREVIOUS WEEK THE ADMINISTRATION HAD MADE A MAJOR EFFORT TO SELL THE PROPOSAL MADE BY LARDINOIS WHICH YEUTTER HAD BROUGHT BACK TO WASHINGTON. THE USG REGOGNIZED, WE NOTED, THE MAJOR EFFORT MADE BY THE COMMISSION IN THAT PROPOSAL, BUT COULD GET THE SUPPORT OF ALL INTERESTED CONGRESSIONAL AND INDUSTRY LEADERS FOR IT ONLY IF AN ADDITIONAL MODIFICATION WERE MADE. THIS MODIFICATION WAS THE SUSPENSION OF RESTITIUTIONS ON ALL EMMENTHALER AND GRUYERE INCLUDING FOR PROCESSING (CODE 380000). IF THE COMMUNITY COULD ACCCPT THIS, THE USG WOULD, FOR THE FIRST TIME, BE IN A POSITION TO GIVE AN ASSURACNE THAT THE DEAL WOULD BE ACCEPTABLE AND THAT THE ADMINISTRATION COULD AND WOULD EXERCISE DISCRETION ON ALL CHEESES STILL SUBJECT TO SUBSIDIES.

3. WE WENT ON TO NOTE THAT WASHINGTON AGENCIES WISH THERE TO BE NO CONFUSION REGARDING THE NECESSARY SCENARIO. WE RECALLED TO FIELDING THE THREE NECESSARY CONDITIONS FOR THE EXERCISE OF DISCRETION CONTAINED IN THE TRADE ACT AND REMINDED HIM THAT TREASURY HAD ALREADY ISSUED A PRELIMINARY DETERMINATION THAT BOUNTIES OR GRANTS ARE BEING PAID OR BESTOWED TO EC CHEESES. WE TOLD HIM THAT FOLLOWING A DECISION TO EXERCISE DISCRETION TREASURY WOULD ISSUE A FINAL DETERMINATION REGARDING ALL EC CHEESES WHICH CONTINUE TO BE SUBSIDIZED AND SIMULTANEOUSLY ANNOUNCE A DECISION TO WAIVE COUNTERVAILING DUTIES ON THESE CHEESES IN VIEW OF THE STEPS TAKEN BY THE EC. AFTER THAT, WE SAID, THE FINAL DETERMINATION WOULD HAVE TO BE TRANSMITTED TO THE CONGRESS FOR REVIEW--AND WE POINTED OUT THE SECTION OF THE TRADE ACT REQUIRING THIS. FIELDING TOOK CAREFUL NOTE OF OUR COMMENTS.

4. IN ORDER TO ASSIST THE COMMISSION IN ITS EXAMINATION OF OUR PROPOSAL, WE GAVE FIELDING A REVISED TEXT OF THE PROPOSED LARDINOIS-GREENWALD LETTER. THE TEST AS GIVEN TO FIELDING IS BEING TRANSMITTED LIMITED OFFICIAL USE

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AS A SEPTTEL. WE ALSO GAVE HIM A LIST OF THE EC DOE NUMBERS REGARDING WHICH COUNTERVAILING DUTIES WOULD BE WAIVED. THE LIST GIVEN TO FIELDING WAS IDENTICAL TO THE ONE IN PARA 4 OF REFTTEL EXCEPT THAT THE PENULTIMATE CODE NUMBER WAS CORRECTED TO 5310-21 VICE 5310-20, AS RECEIVED. (THE LIST GIVEN IN REFTTEL WAS COMPLETE).

5. FIELDING EXPRESSED HIS RECOGNITION FOR THE CONSIDERABLE EFFORTS MADE BY THE USG IN THIS MATTER. HE WAS, HOWEVER, UNABLE TO GIVE A SUBSTANTIVE REPLY. HE GUESSED THAT A FINAL RESPONSE BY THE COMMUNITY COULD ONLY BE MADE AFTER CAREFUL CONSULTATION WITH MEMBER STATES. IN HIS VIEW, THE MATTER HAD NOW CEASED TO BE A "MANAGEMENT PROBLEM" WHICH COULD BE DEALT WITH BY THE COMMISSION AND HAD BECOME A POLITICAL ISSUE REQUIRING THE AGREEMENT OF MEMBER STATES AT A FAIRLY HIGH LEVEL. HE HOPED, HOWEVER, THAT THE PROCESS COULD BE CONCLUDED DURING THE WEEK OF APRIL 7--I.E. THAT IT WOULD NOT BE NECESSARY TO GET AGREEMENT OF THE COUNCIL OF MINISTERS WHOSE NEXT SCHEDULED MEETING IS NOT UNTIL APRIL 14. WE RESPONDED THAT WHILE REFTEL DID NOT SET AN EXPLICIT DEADLINE, WE WERE SURE THAT SETTling THIS PROBLEM WAS A MATTER OF GREATEST URGENCY--THAT IT WAS IN THE INTEREST OF BOTH SIDES TO GET IT OVER WITH VERY QUICKLY.

6. FIELDING, WHO TOOK CAREFUL NOTES AND CHECKED THEM WITH US BEFORE WE LEFT, SAID HE WOULD REPORT TO HIS SUPERIORS, INCLUDING SOAMES AND LARDINOIS, AS SOON AS POSSIBLE. WE LET HIM KNOW THAT AMBASSADOR DENT AND SECRETARY BUTZ WERE PLANNING TO CALL THE TWO COMMISSIONERS DIRECTLY.  
MYERSON

NOTE BY OCT: APPARENTLY INCORRECT REFERENCE.

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## Message Attributes

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